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Market Development Reports

Food Business Line

Periodic Press Translations from ATO Tokyo

2004

Approved by:

Kevin Sage-EL, Deputy Director
ATO Tokyo

Prepared by:

Akiko Matsuyoshi, Marketing Clerk

Report Highlights:

From America's largest overseas food and agricultural export market as translated from Japan's mass media and food industry news. This issue includes: A possible sign of saturation in the Japanese convenience store sector; The *Aeon Group* plans to open 20 new large-scale shopping centers over the next three years; *Tesco*, of the U.K. expands its store network in Japan to more than 100 outlets via another acquisition; Sales among the four major beef *gyudon* chains decline in March; Japan's functional food category is estimated to have reached 5.7 billion yen in 2003 and; The *Nikkei Marketing Journal's* consumer survey shows that food safety continues to be a major concern for Japanese consumers.

Includes PSD Changes: No
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Food Business Line

Periodic Press Translations from ATO Tokyo

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Retail/Wholesale

- *Seven-Eleven Japan, Family Mart, and Lawson*, the nation's three largest convenience store operators, announced increases in consolidated pretax profits for the fiscal year ending in February 29 compared to the same period last year. On the other hand, two smaller convenience store operators, *C&S* and *Ministop*, suffered a decline. There is reason to believe that the domestic market is reaching a saturation point even while the three leading operators are expanding their combined market share. (a 4/16)
- Three major food supermarket operators, *Tokyu Store*, *York-Benimaru*, and *Okuwa*, announced double-digit growth in the category of group pretax profit for the fiscal year ending in February 29. The operators point to pricing and product improvement strategies on high value-added products to match growing consumer demands for product quality and convenience. (a 4/20)
- *The Aeon Group* plans to spend up to 200 billion yen over three years to develop more than 20 large-scale shopping centers. Since each new center is expected to have floor space of at least 40,000 sq. meters, the total combined shopping area of the group's shopping centers will likely to increase by more than 1 million sq. meters. Each shopping center is expected to house *Aeon's* supermarkets and various specialty stores. *Aeon* also plans to focus on strategically opening more 'Super Centers', which are a cross between a food supermarket and a discount store. Three new 'Super Centers' are under consideration this fiscal year. (a 4/20)
- *Tesco*, the largest supermarket chain in the U.K., plans to develop a small-scale food supermarket chain in the Tokyo area. In August, *Tesco's* Japanese discount store subsidiary, *C Two-Network*, will absorb the operations of *Fre'c Co.*, a midsize supermarket company that is currently in the middle of restructuring. *Tesco* plans to utilize the new acquisition's fresh-food procurement capabilities. *Tesco* purchased *C Two-Network* last summer. The additional acquisition of *Fre'c* will expand *Tesco's* store network beyond 100 outlets and increase total sales by 50% to more than 80 billion yen. (a 4/28)

Food Service

- Total sales of all four major *gyudon* grilled beef bowl chain operators declined in March on a same-store basis, compared to the same month last year. Each chain introduced new menus such as pork bowl (*butadon*) as a substitute to U.S. beef in *gyudon*, but those sales did not offset the loss of customers after the ban on beef imports by the Government of Japan. (b 4/20)
- Major food service outlet operators (including fast food outlets) saw sales results worsen in March compared to previous month of February. The main factor cited for the decline was less customer traffic in March due to fewer weekends. (b 4/22)

ATO Note: Simultaneously, by late February/early March, the food service market consumed most of what remained of beef stocks imported from the U.S. prior to Japan's import ban. Also, the cost of beef from other sources began to rise substantially.

Food Processing/New Products/Market Trends

- The overall market size for health food products is to reach one trillion yen. It has been 13 years since Japan's Specified Health Food system was launched, basically defining what constitutes the functional food market category. Its market size alone is estimated to reach 5.7 billion yen in 2003, according to the *Japan Health Food and Nutrition Food Association*. Its market size has more than quadrupled in size since 1997. An example of the most recent hit-product of the Specified Health Food category is "Healthya Ryoku-cha", a 350 ml bottled green tea drink containing twice the amount of tea catechin. (f 4/29)

Food Safety/Consumer Awareness

- According to the consumer survey by the *Nikkei Marketing Journal* on food safety in April, 65% of the respondents answered that they are willing to pay extra, to a certain degree if the food is guaranteed safe. Regarding avian influenza, more than 70% of the respondents replied that their concern had faded. As to whether or not they will consume U.S. beef after the ban is lifted, 44.3% replied that they would consume the same amount of U.S. beef that they consumed before the ban and, 37.1% replied that they would eat U.S. beef but less than the amount they consumed before the import ban. For 49.1% of the respondents, checking for food shelf life and freshness were the most important elements when shopping. Also, 37.1% replied they would choose domestic food over other sources and, 30.5% thought non-GM labeling was important. Finally, 20% thought trace-ability and information disclosure is important. (b 4/27)

ATO/Cooperator/Competitor Activities/Trade Shows

- European dairy and ham producers associations such as *Parmigiano Reggiano Association* and *Parma Ham Association* of Italy, plan to launch a joint promotion for cheese and ham in the Japanese market. The organizations plan to increase awareness of the EU's food labeling system, including the EU's Geographic Indications effort, which seeks to restrict use of product designations whose origins can be traced back to Europe. This joint promotion is being planned in response to the recent rise in Japanese consumers' concern for food safety. (b 4/29)

Sources

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|----------------------------------|---|
| (a) The Japan Economic Newspaper | (b) The Nikkei Marketing Journal |
| (c) The Japan Food Journal | (d) The Beverage & Food News Commentary |
| (e) The Japan Food News | (f) The Food Industry News |

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